

September 21, 2006

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

**Re: Reply Comments, D.T.E. 02-38-C**

Dear Secretary Cottrell:

By this letter, Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid ("National Grid") file reply comments in the above-captioned docket. These reply comments address the initial comments filed regarding the 2006 report filed by the Distributed Generation ("DG") Collaborative on June 30, 2006 ("DG Report").

Most of the comments were supportive of the DG Report, for which National Grid is appreciative. National Grid would like to address, though, the statements and conclusions made by the Division of Energy Resources ("DOER") with regard to standby rates. In particular, DOER states that standby rates are a barrier to the full development of DG potential. DOER initial comments, p. 6. DOER's statement is unsupported, however. That National Grid, without standby rates in Massachusetts, had two installations greater than 250 kW and NStar had none following the period that NStar's standby rate went into effect is inconclusive at best. If anything, it leads to the conclusion that other factors are limiting the installation of large scale DG, regardless of the existence of standby rates. Such factors could include, but are not limited to, natural gas prices, siting and permitting issues, the price of electricity, and the availability of funds for installing DG. Further, National Grid notes that in Rhode Island, where National Grid does have standby rates, there were three large scale installations which were subject to National Grid's standby rate following the effective date of NStar's standby rate.

DOER also recommends that the Department open a generic proceeding to investigate standby rates and analyze the costs and benefits of DG to distribution companies. Id. at 8. Should the Department choose to open a generic proceeding on standby rates, National Grid will participate. National Grid recommends that such a docket focus on the appropriate principles to govern standby rates, as actual costs and benefits are not yet clearly defined and, once defined, will be company specific. As discussed in the DG Report, the costs and benefits of DG for distribution companies are uncertain. DG Report at 36-39. The DG Report provides information on on-going efforts throughout the country to learn more about if and how DG can provide benefits for distribution companies and their ratepayers, and other DG stakeholders. Id. National Grid is actively involved in these efforts, including the EPRI STAC and MTC Congestion Relief Pilots, both described in the DG Report. Id. National Grid recommends that the Department not investigate these matters, already under comprehensive review elsewhere, but notes that these reviews may help the Department in its understanding of DG at a future time. Finally, National

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Grid also notes that its retail rate settlement, approved by the Department in D.T.E. 99-47, sets forth the parameters under which National Grid may currently propose standby rates.

We appreciate this opportunity to provide these comments.

Very truly yours,

A handwritten signature in black ink, appearing to read "Amy G. Rabinowitz". The signature is fluid and cursive, with the first name "Amy" being more prominent.

Amy G. Rabinowitz

cc: Service List